



**Minutes**

Meeting of the KID Board of Directors  
 Carl W. Petersen Board Room  
 Tuesday, September 20, 2011, 9:00 a.m.

President McKenzie called the meeting to order at 9:00 a.m. Mr. Freeman called roll.

**Directors Present:**

David McKenzie, President  
 Gene Huffman, Vice President  
 Patrick McGuire  
 Kirk Rathbun  
 John Jaksch (arrived mid-session)

**Staff Present:**

Charles Freeman, District Manager  
 Ed Everaert, Engineering/Operations Manager  
 Colleen Storms, Comptroller/Treasurer  
 Scott Revell, Planning Manager  
 Judy Smith, Real Estate Administrator  
 Beth Smith, Assistant Ops/Maintenance Manager  
 Jason McShane, Staff Engineer  
 Lynda Rosenbaum, Assistant Planner  
 Doris Rakowski, Executive Assistant

**Other Persons Present:**

Brian Iller, Legal Counsel  
 Darryll Olson, Consultant

**APPROVAL OF AGENDA:** President McKenzie removed "Approve Short Plat - Hawley" from the Consent Agenda and referred it to the Operations and Engineering Committee. At the request of Director Rathbun, President McKenzie moved "Approve Final Plat - Apple Valley Ranch" from the Consent Agenda to Action Items so that Director Rathbun could abstain from action on that item.

**Vice President Huffman moved to approve the amended agenda. Director Rathbun seconded the motion. Directors McGuire, Rathbun, Huffman and McKenzie voted in favor. The motion carried.**

**CONSENT AGENDA: Director Rathbun moved to approve the amended consent agenda. Vice President Huffman seconded the motion. Directors McGuire, Rathbun, Huffman and McKenzie voted in favor. The motion carried.**

Items approved by consent agenda were:

1. Minutes, KID Board Retreat Special Meeting, March 19, 2011
2. Minutes, KID Board Meeting, September 6, 2011
3. Approve Final Plat - Hansen Park Division 4 Phase 3
4. Approve Final Plat - Boulder Ridge
5. Approve Short Plat - Marsolek
6. Approve Short Plat - Boneck
7. Approve Short Plat - Harris
8. Approve Short Plat - Kennewick General Hospital (KGH)
9. KID O&M Vouchers

**Accounts Payable**

Numbers	62894	through	62925	\$	48,110.95
	62926	through	62926		3,817.44
	62927	through	62944		7,456.22
	62945	through	62945		6,690.71
<b>Total Accounts Payable</b>					<b>66,075.32</b>

**Payroll**

Numbers	32124	through	32129	\$	7,355.05
	32130	through	32130		122.22

32131 through 32131	424.47	
Direct Deposit	67,668.29	
<b>Total Payroll</b>		<b>75,570.03</b>
<b>Total Disbursements</b>	<b>\$</b>	<b><u>141,646.15</u></b>

**Voided Checks:** None

**PRESENTATIONS:**

**Elliott Lake and Lorayne J Water Systems:** Mr. Freeman introduced Darryll Olson of Pacific Northwest Project, who was present to deliver the findings of his Water System Characterization and Economic Value Review for the Elliott Lake and Lorayne J water systems.

Mr. Olson distributed a one-page summary. He showed the locations of the two systems and briefly described their development.

Mr. Olson described the Elliott Lake system and said it had good standards of operation and water quality, though capital improvement on the main line system was needed in the future. He discussed the system's water sources and water right nameplate value versus actual use.

Mr. Olson said the Elliott Lake water system had no net profit, as it was being consumed by the small capital improvement budget. He said the capital improvement budget was inadequate to deal with needed improvements. Mr. Olson said the water right value on the open market would be significantly less than the nameplate value, because in the formal transfer of the water right, only the actual historic lower use levels would be allowed for transfer by the Water Conservancy Board and the Department of Ecology.

Mr. Olson described the Lorayne J system, which provides both potable and irrigation water. He said operations were in good standing and an update on the water system plan was being made to the Department of Health. Mr. Olson described the system's water sources. He said the main water right was an imperfected permit, and that he expected the water allocation to be downgraded a bit when it went through the approval of appropriation process. Mr. Olson noted that 50 acre feet of irrigation water were included in the permit, and that amount would probably also be downgraded in the appropriation process based on actual usage.

Mr. Olson stated there was no return on the income value for the Lorayne J water system, as the minor capital improvement needs would eliminate any net return. He said the water right value would decrease from the nameplate value through the approval of appropriation process.

Mr. Olson suggested the Board review why KID began to operate and maintain the systems and consider whether it was part of the District's long term plans. He said a conveyance option for Elliott Lake was to merge into the City of Kennewick. Mr. Olson said informal staff-level conversations with City of Kennewick indicated a concern with taking a system which needed improvements. He reported that the Department of Health suggested potential funding for improvements through the Drinking Water State Revolving Fund, for which public health and safety needs and green credits were the selection criteria. He said the Department of Health indicated, if conveyance was planned, the intended recipient should be on the funding application.

Mr. Olson said informal discussions had taken place with Badger Mountain Irrigation District (BMID), at which Mr. Olson said he was gathering information regarding interest in the Lorayne

J system, not representing KID. He reported that BMID indicated willingness to discuss the issue with KID. Mr. Olson said another conveyance option was to the City of Richland, but he recommended consultation with the system rate payers before considering that option due to a history of conflict regarding annexation of the area.

In response to a question from Director Rathbun, Mr. Olson said there was no industry standard regarding disposition of sale of small potable water systems, but that it was often a matter of handing over the keys. He said the Elliott Lake system had no economic market value, due to needed improvements. He said that the Lorayne J system had more value, and said splitting the value of the asset with the acquiring entity would be a reasonable approach.

Mr. Olson confirmed to President McKenzie that his conversations with City of Kennewick staff were very informal, and only for the purpose of gathering information for the study and to gauge interest in acquisition of the system, not to represent the KID.

In response to Director Rathbun, Mr. Olson said a rule of thumb for economic viability of small water systems was about 1,000 units. Mr. Olson said that KID's systems were landlocked, with minimal possibility for expansion. Mr. Iller said Department of Ecology had indicated that the water right was limited to those already receiving water.

Mr. Freeman advised referring the issue to committee, after which staff would seek direction from the Board. He noted that the Elliott Lake existing capital improvement loan still being paid. He said the application deadline for the suggested funding would be March 2012, and the best to hope for was a low interest rate. He discussed current rates for the two systems.

Mr. Freeman said he thought the systems constituted risk for the District and recommended KID pursue divesting from the systems. He said the value of the systems had been considered, and that Mr. Iller was looking into the transfer process. He said that he hoped to work with the acquiring entities this winter if the Board chose to divest of the systems, and that, if the Board chose to keep the systems, the District would need to find funding for necessary improvements.

Transfer of water right ownership and change of nameplate value based on actual usage was discussed. Mr. Olson said there was no way for the District to separate and retain the unused portion of the water right.

In response to a question from Vice President Huffman, Mr. Freeman said the systems were stand-alone and self-supporting, and the main savings to the KID would be decreased liability.

Mr. Freeman confirmed to Director McGuire that feedback from the two systems' participants had not been sought since the public hearings in April 2011.

Director McGuire was called away from the meeting.

President McKenzie referred the issue to the Finance Committee and the Operations and Engineering Committee. He suggested the topic be included in the October 10<sup>th</sup> Board workshop and said that input from Mr. Iller would be needed. Mr. Iller said he was reviewing what obligations KID may have to the systems and pertinent statutes.

Director McGuire returned to the meeting.

**Financial Reports for August 2011:** Ms. Storms reviewed highlights of the August Financial Reports which were distributed at the beginning of the meeting. Pages discussed included:

- Balance Sheet as of August 31, 2011
- Statement of Revenue and Expenditures - Ms. Storms suggested discontinuing this report, as it was more relevant to business than to a governmental entity.
- Statement of Revenues & Expenditures – Budget to Actual – Discussion ensued regarding the transfer of Realty monies to reimburse Operations for administrative costs of the Realty Department. In response to a question from Director McGuire, Ms. Storms said the amount “Transfers from operating fund” under Capital included transfers and funding the emergency and mitigation funds, which were being funded by quarter.
- Balance Sheet Footnotes – Cash Schedule
- Balance Sheet Footnotes – Grant & Matching Funds Schedule
- Comparative Salary & Benefit Report

In response to a question from President McKenzie, Mr. Everaert said KID would work with the USBR on disbursement of funds from the \$300,000 grant. He said release of funds was waiting, in part, for the results of the environmental/historical/cultural survey. Ms. Storms said it was a reimbursement grant and that costs back to December would be included. Mr. Freeman noted that \$12,500 for the survey was subtracted from the grant.

**Director McGuire moved to accept the August 2011 financial statements. Vice President Huffman seconded the motion. Directors McGuire, Rathbun, Huffman and McKenzie voted in favor. The motion carried.**

**PUBLIC HEARING:** None

**BOARD REPORTS:** None

**ACTION ITEMS:**

**Set Date for Special Meeting regarding Assessment Policy:** Mr. Freeman reported that space was reserved for the proposed meeting and that postcards had been mailed. He discussed costs for the meeting and requested that the Board formally call the special meeting.

**Director Rathbun moved to call a special meeting of the Board of Directors and the Water Rate Advisory Committee, to be held Tuesday, October 4, 2011, at 6:30 p.m., at the Kennewick Red Lion, for the purpose of receiving feedback from our rate payers regarding policy choices and their impact to the KID rate structure. Vice President Huffman seconded the motion. Directors McGuire, Rathbun, Huffman and McKenzie voted in favor. The motion carried.**

**Set Date for Special Meeting for Board of Directors Workshop:** Mr. Freeman discussed the strategic planning workshop held on March 19, 2011 and said that staff needed further direction from the Board. He offered staff’s suggestions of topics for the workshop. Mr. Freeman suggested that Attorneys Iller and Forgette and consultant Darryll Olson attend. Scheduling for the meeting was discussed. Mr. Freeman confirmed that he added potable systems to the draft agenda. President McKenzie asked the Board members to contact him within the week regarding additional items for the agenda.

Director Jaksch arrived at the meeting.

**Director Rathbun moved to call a special meeting Workshop and Executive Session of the Board of Directors, to be held Tuesday, October 11, 2011, at 9:00 a.m. in the KID Boardroom. Director McGuire seconded the motion and it carried unanimously.**

**Red Mountain South LID Design Committee Appointments:** Mr. Freeman referred to the replacement memo distributed prior to the meeting. He reviewed the formation of the ad hoc committee and listed persons previously assigned to the committee.

Mr. Revell reported that LID participants, Larry Pearson, Jim Holmes, Kevin McGlynn and Neil Cooper had volunteered to serve on the ad hoc committee, and said that any of the four would be acceptable choices. Discussion ensued. Director McGuire recommended Mr. Pearson. Director Jaksch recommended Mr. Holmes. President McKenzie said he was pleased to see that four people volunteered.

**President McKenzie appointed Mr. Pearson and Mr. Holmes to serve on the Red Mountain South LID Design Committee.**

President McKenzie directed staff to ask Mr. McGlynn and Mr. Cooper if they would like to be notified if an opportunity arose to rotate the positions on the committee after a time. Mr. Revell confirmed that he would contact each of the volunteers.

**Approve Policy 3.2-3 Revision 2, Water Delivery:** Mr. Revell reported that Mr. Everaert had reviewed the policy and procedure and eliminated the double lock provisions. He noted that certain other items were moved from the procedure to the policy and that the language regarding alterations to KID facilities had been strengthened.

In response to a question from Director Jaksch, Mr. Everaert described how double locks worked in the past and said the arrangement was originally intended for emergency purposes but had changed over time to a more operational arrangement. He noted that the existing policy would stay in place through the end of the year for those who were not moving the gates, but that the double locks were being removed in other cases.

Mr. Freeman said staff was working hard to be sure that gates were checked daily and logged. He described management efforts to enforce mandatory once-daily checking of gates and noted that twice per day was preferred. He asked to be informed if it was not occurring.

Beth Smith confirmed that there were about fifteen double locks at this time. Mr. Freeman said that people with double locks would be notified of the coming changes.

**Director Jaksch moved to approve Policy 3.2-3, Revision 2, Water Delivery. Director Rathbun seconded the motion and it carried unanimously.**

**Approve Final Plat - Apple Valley Ranch:** Mr. Iller noted for the record that Director Rathbun had recused himself from discussion and vote on this matter in which he had a direct interest. Director Rathbun left the meeting.

President McKenzie said the Operations and Engineering Committee had reviewed the case.

**Director McGuire move to approve the final plat of Apple Valley Ranch. Director Jaksch seconded the motion. Directors McGuire, Jaksch, Huffman and McKenzie voted in favor. The motion carried.**

Director Rathbun returned to the meeting.

In response to a question from Director McGuire, discussion ensued regarding the cumulative impact of additional subdivisions in regards to system capacity and staffing. Mr. McShane confirmed that impact of subdivisions was considered with each case.

Mr. Freeman said that aging systems had a larger impact than new systems on creating a need for additional employees. He reported that two months ago a technical review committee was started that included members from the Planning, Finance, Engineering and Operations Departments and himself. He said that every permit, short plat and pre-plat was being reviewed.

Mr. Freeman said there were few complaints from Hansen Park since the developer made improvements to the system. Director Rathbun said he lived in that area and the pressure was now great.

#### **RESOLUTIONS:**

**Resolution 2011-27, Project Acceptance and Release of Retainage for Public Works Contract 2011-02 Badger East 16.1 Lateral Replacement:** Mr. McShane reported that all requirements for phase one of the project had been completed.

**Vice President Huffman moved to adopt Resolution 2011-27, Project Acceptance and Release of Retainage for Public Works Contract 2011-02 Badger East 16.1 Lateral Replacement. Director Jaksch seconded the motion and it carried unanimously.**

Mr. McShane confirmed to Director McGuire that the line replacement work was approaching the first road crossing.

**PUBLIC COMMENTS:** None

#### **STAFF REPORTS:**

**Finance Manager:** Ms. Storms reported:

- The Finance Committee meeting would be held Thursday, September 22.
- Ms. Storms received timely training regarding customer service at the Washington Financial Officers Association Conference last week.
- A report would be given to the Finance Committee regarding the financial software choice.
- Staff was gearing up for mailing re-billing statements this month.
- Staff was monitoring compliance with the potable water promissory notes.
- Customer service was a primary focus and staffing was going through changes.

**Engineering/Operations Manager:** Mr. Everaert reported:

- The Main Canal was at 276 cubic feet per second (cfs), averaging 283-284 cfs last week.
- He discussed the monthly precipitation, Yakima River flows, and reservoir inflows, releases, and diversions to major canals.
- 1,685 of 1,702 work orders have been completed.
- All but two SCADA stations were operational and radio problems were resolved. The two remaining stations to bring online were complicated due to automation equipment.
- Engineering was working on the Red Mountain S. LID scope of work with RH2 Engineering.
- Mr. Everaert commended staff for putting in overtime for the water rate project work.

Discussion ensued regarding SCADA. Mr. Everaert described the work to be done on the SCADA equipment at the two remaining stations after water off, and confirmed that the technical experts would address what was needed for the stations on the Badger East Diversion.

In response to a question from President McKenzie, Mr. Everaert said the complaints about weed control at the lower end of Division 4 were due to the incident of sloughing off of dead vegetation after the application of Endothall. He said staff was looking into a non-mechanical weed control device.

At Director Jaksch's request, the use of "slurpers" in the Highlift Canal was added to the next Operations and Engineering Committee meeting agenda.

**Planning Manager:** Mr. Revell reported:

- Vice President Huffman and Mr. Revell attended the September 18<sup>th</sup> Yakima River Basin Water Enhancement Project Workgroup briefing by Derek Sandison of the Department of Ecology and Wendy Christensen of the USBR on the Integrated Water Management Plan. Present at the briefing were Secretary of the Interior Ken Salazar, Governor Chris Gregoire, Congressman Doc Hastings, Senator Maria Cantwell, and USBR Commissioner Mike Connor. Vice President Huffman reported that a representative of the Yakama nation and Governor Gregoire called for action on the water storage issues, and Secretary Salazar set a submission deadline of November 1<sup>st</sup>.
- KID was sponsoring Leadership Tri-Cities Ag day to be held September 21<sup>st</sup>, and Mr. Revell would be on a panel with Mike Schwisow.
- The Red Mountain South LID Design Committee's first meeting would be held September 22<sup>nd</sup> at 9 a.m. and the Finance Committee meeting would be held the same day at 1:30 p.m.
- The Columbia Snake River Irrigators Association would meet September 22<sup>nd</sup>.

**District Manager:** Mr. Freeman reported:

- Thanked staff for working overtime on rate data. He reported that the data was given to Gordon Wilson and that a programmer was hired to create the assessment calculator
- The leak at PSA 141 was reviewed by American leak detection and the cause was determined to be clay soil and overwatering, not the main line, so the system was back on.
- Staff had been instructed to start shutting down high risk systems prior to the water off date to reduce risk of failure from pressure fluctuations during system shutdown.
- A leak detection plan would be created during water off to reduce risk further.
- Management was working on the 2012 budget.
- Kassie Rothfork resigned yesterday for personal reasons.
- The rate calculator would be put on the KID website and staff would be on hand to help customers at the October 4<sup>th</sup> special meeting.

#### **WORKSHOP:**

**Water Rate Advisory Committee (WRAC) Transition to Planning Committee:** Mr. Revell discussed options for transitioning the WRAC to a Planning advisory committee. He noted that Director Rathbun would leave the committee at that time.

Discussion ensued regarding the number of members for the Planning Committee. Director McGuire recommended calling for applications at the upcoming public meeting. In response to a question from Director Jaksch, Mr. Revell said he expected little of the committee's work would be conducted in executive session, but said it would depend on the nature of the work. Board consensus was to increase the number of members from five to seven.

President McKenzie asked for a volunteer to act as Board liaison to the committee. Mr. Freeman recommended that three new members be selected by application and be interviewed in a regular open Board meeting, and that the four remaining WRAC members be transitioned to serve on the new Planning Committee. Mr. Revell said the current WRAC members had indicated willingness to continue serving on the committee.

President McKenzie confirmed direction to staff to prepare a resolution for the next Board meeting to formally transition the WRAC into a Planning Committee.

President McKenzie called a break at 11:00 a.m., and open session resumed at 11:12 a.m.

President McKenzie called for a motion to amend the agenda.

**Director Rathbun moved to amend the agenda to remove consideration of the minimum price at which real estate will be offered for sale or lease per RCW 42.30.110(1)(c) from the agenda and to add discussion of pending litigation regarding Wellenbrock per RCW 42.30.110(1)(i) to the executive session agenda. Vice President Huffman seconded the motion and it carried unanimously.**

President McKenzie said there would be potential action in open session following the executive session.

**EXECUTIVE SESSION:** At 11:14 a.m., the Board went into executive session for 45 minutes to discuss with legal counsel the legal risks of a proposed action per RCW 42.30.110(1)(i)(iii), and to discuss pending litigation regarding Wellenbrock per RCW 42.30.110(1)(i).

**OPEN SESSION:** At 11:57 a.m., the Board returned to open session.

**Approve Customer Account Supervisor Job Description:** Mr. Freeman requested that the Board approve a new job description for Customer Account Supervisor. He briefly described the proposed position. He noted that the position was not budgeted and asked that \$73,500 be allocated, of which \$52,500 was for salary and the balance for benefits and tax. He said funds for the position would come out of the ending fund balance and that a resolution amending the 2011 budget for this and other items would be brought to the Board.

Ms. Storms said that the new position would help KID comply with the LeMaster Daniels recommendation to separate the functions for billing and adjusting accounts from cash receipts. Ms. Storms confirmed to Director McGuire that the budget amount requested was sufficient to hire the position, and said she would research and present a pay range at a later date.

President McKenzie said staff was correct in recognizing the need for continual improvement in customer relations and that he supported adding this mid-management position. Director Rathbun said as the customer base increased customer service became paramount, as did financial monitoring and controls. Vice President Huffman said he agreed with this step to help comply with the LeMaster Daniels recommendations.

**Director Huffman moved to approve the Customer Account Supervisor job description with a salary of \$52,500 per year plus benefits. Director Jaksch seconded the motion and it carried unanimously.**

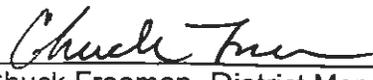
Director Jaksch advised staff and the Board that questions or interview requests regarding Wellenbrock should be referred to Attorney Fearing.

**Director Jaksch moved to adjourn at 12:03 p.m. and Director Rathbun seconded the motion. The motion carried unanimously.**

Attest:

Witness:

  
\_\_\_\_\_  
David McKenzie, Board President

  
\_\_\_\_\_  
Chuck Freeman, District Manager

Prepared by Doris Rakowski